

## **APPENDIX A – Exceptions**

### **DOCKET 13-0301** **EXCEPTIONS OF AMEREN ILLINOIS COMPANY**

The following are the Exceptions of Ameren Illinois Company (AIC or Company) to the Administrative Law Judges' Proposed Order (ALJPO) issued in this proceeding on November 14, 2013. The Exceptions are discussed in the accompanying Brief on Exceptions as indicated in this Appendix. Appropriate replacement language for the ALJPO related to each such Exception is set forth herein in blackline format. For the reasons stated in AIC's Brief on Exceptions, the Company asks that the ALJPO be revised to incorporate the replacement language contained in this Appendix.

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**Exception 1: ALJPO SECTION VII.B.1, “Capital Structure and Rate of Return, Capital Structure,” Subsection d, “Commission Conclusion” (ALJPO 120-21) should be modified as follows, as discussed in Section II.A of the accompanying Brief on Exceptions:**

### **d. Commission Conclusion**

The parties made extensive arguments that are clearly articulated in their testimony and briefs, are summarized above, and will not be repeated in this conclusion. ~~The Commission thoroughly enjoyed reviewing these arguments, some for the third time in two years.~~ The fundamental issue rule applicable here is ~~what the following language in Section 16-108.5(c)(2) of the Act means:~~

The performance-based formula rate approved by the Commission shall . . .  
Reflect the utility's actual year-end capital structure for the applicable  
calendar year, excluding goodwill, subject to a determination of prudence  
and reasonableness consistent with Commission practice and law.

At page 3 of its Initial Brief, IIEC claims AIC's proposed capital structure contains an excessive amount of common equity, unreasonably increasing the Formula Rate Plan capital costs and revenue requirements resulting in unjust and unreasonable rates. IIEC also compares AIC's capital structure to that of other utilities and to ComEd's. While IIEC attempts to disguise its arguments by arguing that AIC's capital structure is imprudent and unreasonable, it appears to the Commission that IIEC's arguments are an attempt to impose the "just and reasonable" standards found in Section 9-201 of the Act. This proceeding is not being conducted pursuant to Section 9-201 of the Act and, fundamentally, IIEC's arguments are flawed. The Commission believes IIEC's arguments and position are fundamentally inconsistent with Section 16-108.5 of the Act regarding capital structure.

AIC and Staff agree that there is no issue of prudence regarding AIC's capital structure. AIC believes its actual capital structure is also reasonable as well as consistent with Commission practice and law. Staff believes AIC's actual capital structure is not consistent with Section 9-230 of the Act because it reflects increased risk and that use of that capital structure would cause an unlawful increase in AIC's cost of capital due to AIC's affiliation with unregulated affiliates. Staff also suggests use of AIC's actual capital structure would be inconsistent with Commission practice because the Commission has previously adopted capital structures consistent with its recommendation in this proceeding.

Section 16-108.5(c)(2) establishes a default that requires the Commission to use AIC's 2012 actual year-end capital structure unless the record supports a determination, made consistent with Commission practice and the law, that that capital structure is imprudent or unreasonable. The record contains ample evidence of the prudence and reasonableness of AIC's 2012 actual year-end capital structure. For the reasons

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explained by AIC in brief, Staff's Section 9-230 argument is misplaced and is rejected. The Commission finds that imputing to AIC the riskier capital structure of its parent company would directly contravene the intent of that provision of the Act. Moreover, that Staff has identified a small increase in AIC's credit facilities cost due to an unregulated affiliation does not justify wholesale rejection of AIC's capital structure, or supplanting it with an entirely new one. As EIMA requires the Commission to do, the Commission approves AIC's 2012 actual year-end capital structure as the one used to set the formula rate in this proceeding.

~~Between the AIC and Staff proposal, the Commission finds Staff AIC's more convincing and compelling. AIC has failed to identify any change in law or facts that justify deviating from prior Commission decisions. Based upon the extensive arguments on this issue, the Commission finds, just as it did in Docket Nos. 12-0001 and 12-0293, that Staff's proposed capital structure should be adopted for purposes of this proceeding.~~

~~With regard to AIC's concerns regarding how the rating agencies view the regulatory environment in Illinois, it occurs to the Commission that while AIC may directly communicate with the rating agencies, the Commission does not. This suggests to the Commission that AIC may have more control over how the regulatory environment is viewed than does the Commission. Perhaps, if AIC did not take such a strident, confrontational stance in proceedings before the Commission the rating agencies' view of the regulatory environment would be improved. Of course, there is the possibility that AIC has considered this possibility and dismissed it to pursue its current approach, which it may view as more beneficial to its investors. In any event, while the Commission is concerned with the financial condition of Illinois utilities, it is much more concerned with implementing the Act as written, not as the utilities wish it were written.~~

**Exception 1: ALJPO SECTION VII.B.2, “Capital Structure and Rate of Return, Common Equity Balance,” Subsection d, “Commission Conclusion” (ALJPO 129) should be modified as follows, as discussed in Section II.A of the accompanying Brief on Exceptions:**

**d. Commission Conclusion**

~~With regard to AIC's common equity balance, the parties again made extensive arguments that the Commission appreciates and enjoyed reviewing again. In light of the Commission's adoption of Staff's imputed capital structure above, however AIC's 2012 actual year-end capital structure consistent with EIMA, the Commission finds that IIEC's and Staff's adjustments to the common equity balance should be rejected and no additional action need be taken regarding AIC's common equity balance.~~

**Exceptions 1 and 2: ALJPO SECTION VII.B.3, “Capital Structure and Rate of Return, Balance and Embedded Cost of Long-Term Debt,” Subsection c, “Commission Conclusion” (ALJPO 136-41) should be modified as follows, as discussed in Sections II.A and II.B of the accompanying Brief on Exceptions:**

**c. Commission Conclusion**

~~With regard to AIC's balance of long-term debt, the Commission notes the parties made arguments that the Commission appreciates and enjoyed reviewing. In light of the Commission's adoption of Staff's imputed capital structure above, however AIC's 2012 actual year-end capital structure consistent with EIMA, the Commission finds that no additional action need be taken regarding AIC's long-term debt balance.~~

With regard to AIC's cost of long-term debt, there is one dispute between AIC and Staff that must be resolved. Staff argues that a downward adjustment to AIC's cost of long-term debt is necessary to reflect the fact that the Commission previously concluded AmerenIP made an imprudent decision in issuing long-term debt. Staff claims its proposed adjustment is necessary to reflect the impact of AmerenIP's imprudent decision on AIC's cost of long-term debt during 2012. For the reasons summarized above, AIC does not believe Staff's proposed adjustment is necessary or appropriate.

The Commission has reviewed the record and the Orders in Dockets Nos. 09-0306 and 11-0282. Of the two competing and somewhat polar recommendations before the Commission on this complicated issue, the Commission believes that Staff's adjustment is disproportionate and would unfairly penalize AIC for its prudent refinancing transaction in 2012. The Commission agrees with AIC that it is fairer to adjust AIC's cost of long-term debt consistent with a disallowance limited to 3.1% of the redemption cost. That disallowance is consistent with the Commission's Docket 11-0282 order, and is adopted.

~~There is no question that the Commission previously found AmerenIP made an imprudent decision that caused its cost of long term debt to be higher than necessary. AIC suggests given the merger of AIC operating utilities such a decision is no longer relevant. The Commission notes that at page 89 of its Initial Brief, AIC suggests that its affiliation with Ameren's merchant generating business is "unlikely to significantly impact AIC's cost of debt." While this may be true, pursuant to Section 9-230 of the Act, the Commission can not allow even a relatively insignificant impact on ratepayers. Furthermore, the Commission's reading of pages 39-40 of Staff's Reply Brief also suggests AIC's affiliation with the generation affiliate impacts AIC cost of debt, although not significantly. Based upon the record in its entirety, the Commission finds Staff's proposed adjustment to AIC's cost of long-term debt to be necessary and appropriate. The Commission concludes that AIC's cost of long term debt is 7.10% for purposes of this proceeding.~~

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## C. Overall Rate of Return on Rate Base

### 1. Filing Year

Taking into consideration the conclusions reached above, the Commission finds that for 2012 filing year AIC's rate of return on rate base should be 7.96% as shown in the table below.

Rate of Return on 2012 Filing Year Rate Base				
Capital Component	Weight	Cost		Weighted Cost
Short-term debt	0.00%	0.00%		0.00%
	47.28%	7.10%		3.36%
Long-term debt	<u>44.02%</u>	<u>7.30%</u>		<u>3.21%</u>
	1.72%			0.09%
Preferred stock	<u>1.68%</u>	4.98%		<u>0.08%</u>
	51.00%			4.45%
Common equity	<u>54.31%</u>	8.72%		<u>4.74%</u>
Credit facility fees	0.00%	0.00%		0.06%
<b>Total</b>	100.00%			<b><u>7.96%</u></b> <b><u>8.09%</u></b>

### 2. Reconciliation Year

Taking into consideration the conclusions reached above, the Commission finds that for purposes of reconciliation, AIC's rate of return on rate base should be 8.01% as shown in the table below.

Rate of Return for Initial Reconciliation Purposes				
Capital Component	Weight	Cost		Weighted Cost
Short-term debt	0.00%	0.00%		0.00%
	47.28%	7.10%		3.36%
Long-term debt	<u>44.02%</u>	<u>7.30%</u>		<u>3.21%</u>
	1.72%			0.09%
Preferred stock	<u>1.68%</u>	4.98%		<u>0.08%</u>
	51.00%			4.50%
Common equity	<u>54.31%</u>	8.82%		<u>4.79%</u>
Credit facility fees	0.00%	0.00%		0.06%
<b>Total</b>	100.00%			<b><u>8.01%</u></b> <b><u>8.14%</u></b>

**Exception 3: ALJPO SECTION V.B.1.b “Income Tax Expense Lead Days,” Subsection v, “Commission Conclusion” (ALJPO 16) should be modified as follows, as discussed in Section II.C of the accompanying Brief on Exceptions:**

**v. Commission Conclusion.**

The Commission finds that AIC, as supported by Staff, has proposed ~~to continue handling this issue as it has been handled in past dockets. the appropriate method for determining the income tax lead and lag.~~ The Commission agrees that it has a long-standing practice of not considering current and deferred income taxes separately; ~~however the question is whether it is time to revisit this practice. and neither the AG nor CUB offer valid reasons for reconsidering this practice.~~

The AG and CUB both urge the Commission to modify the way it has been handling the issue of deferred income taxes in calculating CWC, noting that AIC presently has no income taxes currently payable in 2012, and therefore should have no cash outflows or CWC requirements associated with income taxes. The AG notes that deferred income taxes are not paid out in cash, but are instead deferred for expected payment in future tax years.

The Commission ~~also notes that under similar income tax circumstances, ComEd ratepayers do not contribute to CWC. Although~~ recognizes, as it has in prior cases, that AIC argues that it and ComEd calculate income taxes differently, ~~there appears to the Commission to be no justifiable reason presented to continue this disparate treatment between the two utilities. and finds that this difference is sufficient justification for the differing treatment.~~ The Commission therefore finds that is appropriate, based on the evidence presented in this proceeding, to once again adopt ~~the AG's proposed adjustment~~ AIC's calculation on this issue.



**Alternative Exception 3: ALJPO SECTION V.B.1.b “Income Tax Expense Lead Days,” Subsection v, “Commission Conclusion” (ALJPO 16) should be modified as follows, as discussed in Section II.D of the accompanying Brief on Exceptions:**

**v. Commission Conclusion.**

The Commission finds that AIC, as supported by Staff, has proposed to continue handling this issue as it has been handled in past dockets. The Commission agrees that it has a long-standing practice of not considering current and deferred income taxes separately; however the question is whether it is time to revisit this practice.

The AG and CUB both urge the Commission to modify the way it has been handling the issue of deferred income taxes in calculating CWC, noting that AIC presently has no income taxes currently payable in 2012, and therefore should have no cash outflows or CWC requirements associated with income taxes. The AG notes that deferred income taxes are not paid out in cash, but are instead deferred for expected payment in future tax years.

The Commission also notes that under similar income tax circumstances, ComEd ratepayers do not contribute to CWC. Although AIC argues that it and ComEd calculate income taxes differently, there appears to the Commission to be no justifiable reason presented to continue this disparate treatment between the two utilities. The Commission therefore finds that is appropriate, based on the evidence presented in this proceeding, to adopt the AG's proposed adjustment on this issue.

In order to properly implement the AG's proposal, the following changes must be made to AIC's Appendix A: (i) a new line 7a, entitled “(Less) Deferred Income Taxes Including Investment Tax Credit” must be added; and (ii) line 27 must be entitled “Current Income Taxes.”

**Exception 4: ALJPO SECTION V.B.2, “Accrued Vacation Reserve,” Subsection e, “Commission Conclusion” (ALJPO 22) should be modified as follows, as discussed in Section II.E of the accompanying Brief on Exceptions:**

**e. Commission Conclusion**

~~The Commission recognizes that it has ruled on this issue in various earlier dockets, however, AIC continues to disagree with the Commission's conclusions, as it has a right to do. AIC suggests that Staff and the AG's proposal to disallow accrued vacation expense from the rate base ignores the difference between certain operating reserves properly deducted from rate base and accrued vacation expenses. as the Commission found in Docket 91-0147, the Commission is persuaded by the fact that these vacation reserves are not funds, which AIC could use as working capital, but are an accounting entry designed to record time owed to employees. And because AIC, and not ratepayers, pay for these vacation expenses before ratepayer reimbursement, it would be unwise ratemaking policy to withhold the funds from AIC's rate base.~~

~~———— The Commission is persuaded the arguments of Staff and the AG that these vacation reserves are funds which are available to AIC and could be used as working capital, and are not simply an accounting entry designed to record time owed to employees. The Commission is also not persuaded by AIC's suggestion that these entries do not reflect money, but simply reflect employee time; or that AIC has not been fully recovering vacation pay in non-rate case years. As the AG suggests, absent a showing that the vacation accrual was materially different in a non-rate case year than in the test year in effect, the Commission is satisfied that AIC is able to properly recover its vacation pay accrual from rate payers. The Commission is satisfied from the evidence presented, that rate payers are the source for the vacation accrual, and that treatment of this accrual expense similar to other operating reserves is warranted. Our prior rulings on this issue did not properly address these key facts that differentiate vacation accrual expense from other operating reserves. In Dockets, 11-0721, 12-0001, and 12-0293, the Commission was influenced by the fact that there was a continuing, permanent balance in the accrued vacation expense account. However, when examining the composition of that balance, we find that it is properly included in rate base because it is not a source of ratepayer supplied funds, which AIC can access to fund its operations. Therefore both the AG's and Staff's proposed disallowance of accrued vacation expense is rejected.~~

**Exception 5: ALJPO SECTION VI.B.1, “Miscellaneous Operating Revenues – ARES,” Subsection e, “Commission Conclusion” (ALJPO 46) should be modified as follows, as discussed in Section II.F of the accompanying Brief on Exceptions:**

**v. Commission Conclusion**

AIC insists that it used the sold microwave frequencies solely for transmission purposes and that identification of the associated transmission assets is not practical given that such revenues are not directly associated with one or more assets. When pressed further, AIC was unable to provide any quantification, factual evidence, or identification of any of the frequencies allegedly used for transmission purposes, other than conclusory statements from its witness. This troubles the Commission and contributes to a finding against AIC on this issue. The fact that AIC has not reflected the sale proceeds in filings before either the Commission or FERC heightens the Commission's concern.

While it is reasonable to believe that at least some of the frequencies in question were used to transmit transmission data, the paucity of definitive evidence also makes it reasonable to believe that some of the frequencies were used to transmit distribution data as well. Therefore, in the absence of analysis or data that more specifically attributes the vacated microwave frequencies between transmission and distribution operations, some allocation between transmission and distribution is reasonable. The Commission ~~finds~~ notes the AG's proposal to use of a net transmission/distribution plant allocator appropriate and adopts the AG's upward adjustment of \$1,028,180 to AIC's Miscellaneous Operating Revenues. would allocate approximately 80% of the revenues from the sale of the frequencies to AIC's distribution operations. Although the record evidence does not clearly establish the proportion of frequencies used in transmission as opposed to distribution, the Commission believes that allocating a majority of the revenues to distribution would be unreasonable in light of AIC's statements that the frequencies were used solely for transmission operations. In addition, the AG has not explained why a net plant allocator is appropriate for use in allocating revenues, especially when an allocation factor exists specifically for the purpose of allocating revenues, and it is uncontested that the issue here is the allocation of revenues, not plant. As a result, the Commission will apply AIC's revenue allocator to the Miscellaneous Operating Revenues.

**Exception 6: ALJPO SECTION VI.B.3, “Purchases – Other (Account 588),” Subsection d, “Commission Conclusion” (ALJPO 59-61) and VI.B.4, “Other Credit Card Expenses,” subsection e, “Commission Conclusion” (ALJPO 68-70) should be modified as follows, as discussed in Section II.G of the accompanying Brief on Exceptions:**

**3. Purchases - Other (Account 588)**

**d. Commission Conclusion**

Several of the arguments raised in this portion of the Order overlap with the arguments made in the following section of this Order. The Commission will endeavor to maintain clarity in its discussion of the disputed expenses and avoid repetition.

The record demonstrates the varied nature of the purchases charged to Account 588, the costs of which Staff proposes for disallowance. The Commission notes that AIC and Staff jointly agreed during the case on the removal of expenses for certain purchases. Those items have been identified in Staff and AIC’s exhibits and already have been removed from the AIC’s proposed revenue requirement. The remaining expenses for Account 588 purchases identified by Staff, however, are contested. Staff asserts the remaining contested purchases are not necessary for utility service and not beneficial to ratepayers. AIC claims Staff’s necessary and beneficial standards are not well defined, not adequately sourced, and not clearly applied. AIC also claims Staff discounts, without explanation, the business justifications, context and ratepayer benefits that AIC provided in testimony in support of the prudence and reasonableness of the expenses. Consequently, AIC contends, Staff’s adjustment is only supported by Staff’s own conjecture and speculation, and not by factual evidence. For this and other adjustments proposed by Staff in this docket, the Commission is troubled by Staff’s use of various standards that appear to have no basis in the formula law legislation or the Commission’s prior decisions. The Commission is also troubled by proposed adjustments that appear not to have any factual basis in the record and appear to ignore entirely facts submitted by the utility. The Commission reminds parties that, in its role as fact finder, the Commission has to weigh the facts. Positions taken by parties that are based on unsupported conjecture or that do not address facts actually in the record do not assist the Commission with its task of weighing the facts and only serve to muddle the record and subject the Commission’s findings to reversal on appeal. The Commission recognized that the formula rate legislation means annual audits of AIC’s electric delivery costs – an audit that has to occur in less time than an ordinary Article IX rate proceeding. The Commission also recognizes Staff’s concern that the formula rate legislation requires a dollar for dollar review of AIC’s electric delivery costs. But those realities do not allow the Commission to accept adjustments that are not adequately supported. In prior cases, the Commission held that disallowances must be supported by specific objections to particular expenses, rather than general disallowances. A corollary to those prior findings is that a disallowance also must be supported by more than just conjecture.

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In this instance, the Commission agrees with AIC that the manifest weight of the record evidence demonstrates the Account 588 purchases still being contested by Staff are actual costs of delivery service, prudently incurred and reasonable in amounts. The detailed justifications and benefits presented in AIC's testimonies and exhibits support the recoverability of the costs for these purchases, and need not be repeated here. Staff's reasons for disallowance lack the legal authority, factual evidence and analysis necessary for the Commission to adopt Staff's adjustment. To the extent the Commission disallowed a similar purchase in Docket 12-0293, the Commission finds AIC offered better support in this proceeding to demonstrate the prudence and reasonableness of the expense. The Commission does not foreclose Staff and other parties from pursuing similar adjustments for employee purchases in future formula rate proceedings, but cautions all parties to present positions and adjustments in testimony that are well developed and well supported by the factual record.

~~Staff recommends disallowing a variety expenses and groups the expenses into 15 categories. Many of the expenses, including a large number of those recorded in Categories 1, 2, 6, 12, 13, and 15 are apparently prizes and rewards for attending safety meetings and otherwise working in a safe manner. The array of prizes and rewards for employees and contractors that AIC expects customers to pay for is staggering. A limited sampling of items includes clothing, blankets, coolers, meals (including one breakfast for over 200 employees), personal heaters, Kindle Touch e-readers, trail cameras, patio dining sets, digital cameras, DVD players, cordless vacuums, fire pits, turkey fryers, and gift cards for Best Buy, Wal Mart, Menards, and Home Depot. AIC also seeks recovery of its purchase of a NERF gun for a safety class. (See Ameren Ex. 19.1) Generally, AIC believes such purchases are reasonable and prudent because they supposedly encourage employees and contractors to work safely and recognize them for their efforts when they do so. Such incentives and rewards, however, serve the same purpose as safety related incentive compensation programs. AIC already recovers safety related incentive compensation expenses under Section 16-108.5(c)(4)(A) of the Act. Why customers should pay for additional incentives for employees which are literally gifts of personal property and meals for doing what they are already being rewarded for doing under AIC's incentive compensation programs is unclear to the Commission. Such employee perquisites, some of which are essentially snacks served during meetings and door prizes for attendees, are excessive and inappropriate for recovery by a regulated monopoly. AIC is free to continue such practices, but not at the expense of customers. If shareholders want employees to have turkey fryers and patio sets, they can pay for them.~~

~~Another category of expenses to which Staff objects consists of flowers sent to ill employees or upon the death of an employee or close family member. Staff groups these expenses together in Category 3. AIC considers such purchases important for showing that it cares about its employees. AIC witness Voiles explains that,~~

~~when you lose a loved one, and you get a flower arrangement from the Company that says Ameren Illinois Company, it says a lot about the organization, ... and it shows that the Company cares, not just the~~

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~~department that you work for, but the entire Company cares about you as an employee, and then that helps from a retention perspective, retaining those employees at the organization because they feel like they are a valued employee. (Tr. at 77)~~

~~The Commission does not question whether sending flowers is a nice gesture. But the Commission finds ironic the conviction with which AIC asserts that its flower purchases show its sensitivity. If AIC truly cared in such situations, it seems obvious and logical that any sacrifice/contribution for such a gesture would come from the caring individuals (ie: shareholders, executives, co-workers) that are sympathetic toward the affected employee and family. Under the current practice, however, AIC collects money from customers, buys flowers, and tells the recipient that the flowers are "from" AIC. This practice is analogous to taking flowers from the park one passes on the way to the funeral home so that a flowery display of sympathy can be made before the casket. Needless to say, AIC's arguments for recovery of this expense from customers do not persuade the Commission. If AIC wishes to continue sending flowers to ill employees or upon the death of an employee or close family member, shareholders or co-workers should be responsible for covering the cost.~~

~~——— Staff's Category 7 includes \$1,232 for regular payments to Dish Network and Comcast for television service. AIC maintains that the cable and satellite television service is necessary for weather and news reports. But as Staff points out, it is not clear why radio, local broadcast television, and the internet are not sufficient means of obtaining weather and news reports. AIC acknowledges that the others exist but contends that the existence of alternatives does not mean that cable and satellite television can not be relied upon. While this is true, it does not mean that customers must pay for such redundancy. If AIC wants employees at particular locations to have year-round cable or satellite television service on top of radio, local broadcast television, and/or internet access, shareholders can pay for it.~~

~~——— Staff's Category 9c consists of a \$3,233 expense for a gravel driveway. In 2012 AIC spent this amount to install a gravel driveway at an employee's home so that the employee would have somewhere to park the large company owned vehicle that he kept at his residence. AIC argues that by allowing the employee to keep the vehicle at his home in an outlying area, service calls in that area will be answered more quickly. While at first glance this may seem reasonable, the fact remains that AIC would have customers pay for improvements to an AIC employee's real property. Without more evidence concerning the distance to and availability of other resources, and the duration of this "troubleman" assignment, the Commission can not conclude that this is a reasonable expense for customers to bear.~~

~~——— Of the remaining expenses listed on Ameren Ex. 19.1 that Staff seeks to disallow, the only ones that the Commission considers appropriate for recovery are in Staff's Category 11 on lines 129, 133, 134, and 136. These expenses are for digital cameras and total \$1,967.18. AIC states that the cameras are necessary because they permit employees to "zoom in" on and take pictures of name plates and other faulty~~

~~equipment that would be unreachable due to heights or proximity to energized distribution equipment. The usefulness of these purchases is readily apparent without more information. Whether other expenses in Category 11 are indeed necessary and prudent is not clear from the evidence in the record. For example, whether replacing two televisions that were not visible to all employees during meetings is a reasonable expenditure is not clear. (See Ameren Ex. 19.1, line 135)~~

~~— The Commission is aware that it has not specifically addressed each contested line item in Ameren Ex. 19.1. Given the limited time available in expedited formula rate proceedings, the Commission has focused on the larger groups or more costly items among the contested expenses. The Commission concurs with Staff on the remaining items listed in Ameren Ex. 19.1. Therefore, Staff's adjustment, minus \$1,967.18 or the digital cameras discussed above, is adopted.~~

#### **4. Other Credit Card Expenses**

##### **e. Commission Conclusion**

To be clear on the scope of Staff's analysis of AIC's credit card expenses, it is helpful to review Staff's sample size. Staff limited its sample to four months' worth of expenses for 12 selected employees of the more than 1,500 employees who held an AIC credit card in 2012. Based on this small sample size, Staff identified \$12,807 in credit card charges during the four months examined that it believes should not be recovered from ratepayers. Staff then multiplied this amount by three to annualize the charges. The resulting amount of \$38,421 is allocated between gas and electric service. The electric portion amounts to \$22,000 representing disputed charges for 12 employees in 2012.

Disputed charges identified in Ameren Ex. 16.1 range from donuts, candy, cupcakes, and party decorations to cellular telephones, digital cameras, and LCD and flat screen televisions. For every item listed on Ameren Ex. 16.1, whether it be the business meals, other food and beverage purchases, floral arrangements, anniversary and retirement cakes, or new employee giveaways, AIC asserts that it has shown why these are typical expenses in support of delivery service that assist in the operation of the utility and the engagement of the workforce. AIC's policy for using employee credit cards is very similar to its policy regarding the use of "Purchase Cards" or "P-Cards," as the credit cards were referred to during the course of Docket No. 12-0293.

The Commission finds the evidence submitted by AIC, namely the business justifications and asserted ratepayer benefits, supports a finding that the expenses Staff seeks to disallow were prudently incurred, reasonable in amount, and supportive of delivery service. For similar reasons as discussed in the Commission's findings concerning Staff's proposed adjustment to Account 588 purchases, the Commission believes Staff's other credit card expense adjustment is not sufficiently detailed and supported by the record evidence. The Commission also finds that Staff's reasons for disallowance amount to conjecture that fails to address the factual evidence AIC

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presented in this proceeding. Consequently, the Commission declined to adopt Staff's adjustment.

~~Both the earlier and current credit card policies seem to rely heavily on the discretion of individual employees in making purchases and the discretion of supervising managers in approving purchases. AIC witness Voiles offered testimony in support of AIC's credit card policy and expenses. In her position as a manager she reviews the credit card expenses of less than five employees. So long as the expenses are business related, she approves the charges. While an employee may need to correct an error in the submission of credit card charges, she testifies that she has never rejected a charge as inappropriate or unreasonable.~~

~~As was the case in Docket No. 12-0293, the Commission is troubled by AIC's view of its employees' credit card use. Like before, there do not appear to be any definitive standards for reviewing and evaluating employee credit card purchases. Nor does there appear to be any per diem limitation concerning travel expenses. An unknown number of managers have authority to review credit card purchases using unknown standards. Even the standards that Ms. Voiles uses are not clear from the record. So long as some aspect of the charge is arguably related to something the utility does, AIC seems to believe that recovery of the expense from ratepayers is appropriate. AIC's main underlying concern, however, does not appear to be the \$22,000 currently at issue, but rather the impact that an adverse ruling may have on its business practices. (See AIC Initial Brief at 24)~~

~~AIC is right to be concerned because its credit card policy calls into question the prudence of its spending decisions. The underlying issue giving rise to this problem appears to stem from a corporate culture where employee perquisites and broad discretion on what is reasonable and necessary for business are the norm. As was pointed out by the Commission in Docket No. 12-0293, although such expenses may be permissible, or even usual, in an unregulated business that competes with other unregulated businesses for customers, the expenses are not appropriate for regulated rate recovery since AIC customers have no choice but to obtain delivery services from AIC. Captive delivery service customers can not shop around for another delivery service provider that is more responsible with its revenue. Later in this Order AIC's concern with its reputation and appearance in various media will be discussed. Given such concern, AIC would be wise to consider the public perception of its insistence that customers pay for donuts, snacks, cupcakes for executive staff, drinks for lawyers, anniversary cake, Walmart gift cards, decorations for a retirement party, and pens and cups as gifts for new employees. (See Ameren Ex. 16.1, lines 1, 30, 56, 57, 65, 68, 75, and 81, respectively) AIC may want to consider the appropriateness of a corporate culture where spending decisions are based on the assumption that nearly all expenses can be recovered by customers.~~

~~Some of the types of expense adjustments that Staff recommends have already been addressed above in relation to expenses in Account 588. Consistent with the conclusions above, the Commission concurs with Staff's position regarding the flowers,~~



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~~satellite television service, flat screen televisions, cellular telephones and accessories, gift cards, employee gifts, and clothing listed on Ameren Ex. 16.1. The other large category of credit card expenses similar to expenses on Ameren Ex. 19.1 that the Commission finds questionable consists of various food expenses. The Commission found above that meals given to employees for working safely are additional perquisites that are not appropriate for recovery from customers. Candy, donuts, and snacks served at meetings concerning safety fall into the same category of unrecoverable perquisite expenses. Snacks and other edibles for "other work meetings" and "employee appreciation," as they are justified on Ameren Ex. 16.1, are also excessive employee perquisites that provide no customer benefit. These expenses include, for example, cupcakes, cookies, lunches and drinks for lawyers, snacks and sodas as "meeting room supplies," anniversary cakes, and refreshments (and decorations) for retirement parties. Such expenses shall not be recovered from customers. Customers shall not be responsible for the finance charges on line 4 for obvious reasons. The record is not clear why McLean County Chamber dues should be recoverable.~~

~~———— This is not say, however, that none of the expense items on Ameren Ex. 16.1 are recoverable. Lines 3, 7, 8, and 52 appear to reflect travel expenses legitimately recoverable from customers. Note also, however, that the items listed on line 28 of Ameren Ex. 16.1 are similar to the digital cameras allowed in rate base above in the context of Account 588, but the pending expenses will not receive similar rate treatment. The difference is that while AIC explained that the zoom lens on the earlier cameras permitted employees to "see" and photograph inaccessible name plates and other equipment amid energized systems, AIC provided no better justification than "other utility equipment" for the items listed on line 28.~~

**Exception 7: ALJPO SECTION VI.B.5, “Sponsorship Expense (Account 930.1),” Subsection d, “Commission Conclusion” (ALJPO 76-78) and VI.B.6, “Community Outreach Expense (Account 908),” (ALJPO 79) should be modified as follows, as discussed in Section II.H of the accompanying Brief on Exceptions:**

**5. Sponsorship Expense (Account 930.1)**

**d. Commission Conclusion**

AIC represents that it has agreed to remove the electric-allocated portion of the tangible benefits its employees received in 2012 from sponsorship recipients. AIC argues that the remainder of the 2012 electric-allocated sponsorship expenses should be recovered in formula rates. Citing AIC witness Mr. Thomas Kennedy, AIC contends that the sponsorship provided it with a cost-effective opportunity to reach consumers with educational messages, or otherwise provided financial support, for a charitable or public welfare purpose, to local communities and organizations. AIC posits that the point of compiling schedules such as Ameren Exhibits 6.2 (Rev.) and 24.1 (Rev.) is to be transparent with the Commission, Staff, and ratepayers about the nature of the activities AIC supports in its service territory and to identify the portion of that expense that should be recoverable in rates as a reasonable, prudent operating expense. AIC asserts that convincing, specific reasons why additional amounts should be disallowed have not been provided. AIC concludes that the record supports Commission approval of AIC’s self-disallowance, but does not support Staff’s larger adjustment. AIC also contends Staff’s adjustment fails to reflect the approach and direction of the Commission in its recent rate order in Dockets 12-0511/0512.

The Commission agrees with AIC that the record demonstrates the sponsorships costs (less the tangible benefits received) are recoverable in rates. The Commission acknowledges that in prior AIC formula rate cases the Commission has disallowed a larger amount of sponsorship expense than what the utility proposed for disallowance. The Commission recognizes, however that AIC has undertaken and presented a new analysis that was not part of the record in prior formula rate proceeding. The detailed review AIC conducted on 2012 sponsorships costs identified and removed the value of ancillary benefits received by AIC employees in attendance on sponsored events. The analysis also identified the recipient and event, activity or cause that received AIC’s funding, as well as any advertising messages that AIC was permitted to display. The Commission finds Staff’s adjustment fails to take AIC’s analysis into account, and more importantly, fails to address the Commission’s decision in Dockets 12-0511/0512. That decision clearly stands for the proposition that utility financial support of public events, activities and programs, like local community festivals, are recoverable amounts. Staff’s position that the utility must have a print advertisement displayed at the public event, activity or program, is arbitrary and not consistent with the Commission’s decision in Dockets 12-0511/0512. The Commission adopts AIC’s self-disallowance as the appropriate adjustment in this proceeding and encourages AIC to submit similar analysis in future formula rate proceedings to assist the Commission with determining the appropriate amount of sponsorship expense to include in electric delivery rates.

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Essentially, AIC believes that all of the sponsorship expenses listed in Ameren Ex. 24.1(Rev.) are recoverable under either Section 9-225 or Section 9-227 as an advertising expense and/or charitable donation, respectively. Staff and CUB identify several expenses that they feel are inappropriate for recovery. While the Commission agrees that in the majority of instances the expenses are recoverable, a number of the listed expenses appear to have no purpose other than promotional, goodwill, and/or institutional advertising. Undoubtedly, AIC will claim that the disallowed expenses are recoverable charitable donations under Section 9-227. The overall problem with AIC's analysis, however, is that it gives no meaning to the prohibition in Section 9-225 of recovery of promotional, goodwill, and/or institutional advertising. Surely the legislature did not intend for certain expenses to be unrecoverable under Section 9-225, only to allow all such expenses to then be deemed recoverable under Section 9-227.

The Commission finds the expenses listed below at lines 1, 2, 3, 5, 7, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, and 20 unrecoverable because the nature of the recipient is not clear (eg: "Lightworks") and/or the charitable nature of the event is not discernible (eg: Punkin Chuckin). There is also no evidence from Ameren Ex. 24.1(Rev.) of any educational or other permissible messaging. The only discernible purpose behind the expenditures is promotional, goodwill, and/or institutional. The parade float at line 16 below is distinguishable from the parade float sponsorship at line 22 on Ameren Ex. 24.1(Rev.). While the relationship between a "Whale float" in the later parade and delivery service is certainly questionable, AIC did apparently provide some permissible messaging in a parade booklet. The record reflects no similar messaging in conjunction with the disallowed "Under the Sea float" at line 16 below. With regard to the expenses at lines 4, 6, and 15 below, the purpose behind these expenses seems to be to mix with other attendees at the events. There is no evidence of any educational or other permissible messaging being provided. The purpose of the large expenditure at line 8 appears to simply be to present itself at a sporting event as a generous supporter to "customers attending event." The nature of these expenditures lead the Commission to conclude that they are promotional, goodwill, and/or institutional advertising, and must therefore not be recovered from delivery service customers. Such details, or where applicable the lack thereof, distinguish this record from that in Docket Nos. 12-0511 and 12-0512 (Cons.).

Line	Recipient	Electric Allocation (\$)	Description	Ameren Ex. 24.1 (Rev.) line #
1	Beardstown Chamber of Commerce	400	Halloween candy	3
2	Belleville East High School	400	Hockey team Thanksgiving 5K run	6
3	City of Hillsboro	1,200	Payment 5 of 5 Lighting at sports complex	26
4	City of Peoria	1,260	State of the City Luncheon and speaker sponsorship	28
5	Greater Belleville Chamber of Commerce	60	UNCLEAR – listed as "Newsletter" and "Coworkers attendance"	55
6	Greater Decatur Chamber of Commerce	4,308	Thanksgiving luncheon sponsorship	57

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7	Illinois Central College	1,500	Cougar Plex 2nd installment sponsorship	65
8	Illinois High School Association	22,700	March Madness Experience sponsorship and banquet	69
9	Lincoln Trail College	60	Donation to support the "E" and reference to candy	83
10	Lincoln Trail College	30	UNCLEAR – listed as "Donation to the Crawford Coun" and "Triathlon for Kids"	84
11	Mattoon High School	75	"Project Graduation"	86
12	Mattoon Lightworks	300	Contribution for Lightworks	88
13	Pekin Area Chamber of Commerce	150	Fireworks celebration	114
14	Pekin Park District	300	Band concert	116
15	Peoria Area Chamber of Commerce	1,860	Community Thanksgiving luncheon	118
16	Peoria Area Community Events	600	Santa Claus parade Under the Sea Float	121
17	Peoria Area Community Events	126	Yule like Peoria pole decoration	122
18	Southwestern Illinois Employers Association	900	Annual meeting	147
19	Taylorville Optimist Club	1,200	Tournament sponsorship	153
20	Tazewell Columbus Club	576	Punkin Chuckin sponsorship	155
21	TOTAL DISALLOWANCE	37,405		

### 6. Community Outreach Expense (Account 908)

#### c. Commission Conclusion

AIC claims that Staff continues to allow cost recovery of sponsored outreach events that provided AIC with opportunities to advertise. But, AIC continues, Staff continues to disallow entirely the cost of any event where such opportunities did not occur. AIC argues that the relevance of that distinction is never explained. Nor does Staff explain the application of its standards. AIC goes on that there is no indication why community outreach events without advertising are not necessary for the distribution of electricity and not beneficial to ratepayers, but community outreach events with advertising are. Nor is there any indication why sponsorships with print advertisements are recoverable, and sponsorships with signage in the event space or recognition on the event's website are not. AIC says that Staff simply states that ratepayers should not be responsible for funding county fair and festivals. AIC notes, however, that assertion directly contradicts the Commission's findings in Dockets 12-0511/0512 (cons.)—a decision Staff chooses not to address in testimony or briefing. AIC contends that the Commission cannot similarly ignore its own decisions.

The Commission agrees with AIC that the decision in Dockets 12-0511/0512 (cons.) allowed recovery of similar costs for public community outreach events. The evidence submitted by AIC identifies the municipality or community organization that received AIC's financial support and the community event on which the funds were spent. The Commission does not agree with Staff's distinction that would only allow

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cost recovery for sponsored events at which in connection with which a print or media advertisement was distributed or published. Indeed, the Commission believes Staff's distinction improperly characterizes financial support of community events as goodwill advertising. The Commission encourages Staff and other parties to rate proceedings to focus efforts on whether the actual advertisements distributed at these events demonstrated an overriding intention or design to promote the utility. To the extent this decision is inconsistent with its decision in Docket 12-0001, the Commission finds that the evidence AIC submitted in this docket on community outreach expenses, like the evidence submitted on sponsorship expenses, better supports cost recovery of the amounts AIC has proposed to keep in the revenue requirement.

~~— The issues concerning AIC's community outreach expenses recorded in Account 908 are quite similar to those pertaining to AIC's sponsorship expenses recorded in Account 930.1 and addressed above. As discussed in conjunction with AIC's sponsorship expenditures, the Commission can not accept that the legislature intended for the prohibition in Section 9-225 of recovery of promotional, goodwill, and/or institutional advertising to be rendered meaningless under Section 9-227. While AIC may claim that its support for various fairs and festivals should be considered charitable donations under Section 9-227, it is difficult for the Commission to see how most of the expenditures to which Staff objects are not simply promotional or goodwill in nature. Based on a review of the record, the expenditures listed in the table below represent cash contributions in exchange for AIC's name and logo appearing somewhere at the event. There is no indication that anyone from AIC attended these events or that customers benefitted from any kind of educational messaging. This type of donation represents the goodwill and promotional expenses that Section 9-225 is intended to bar as a recoverable operating expense. The only Staff disallowance that the Commission disagrees with is at line 15 of Ameren Ex. 24.2(Rev.) and concerns the Sangamon County Fair. Ameren Ex. 24.2(Rev.) seems to indicate that AIC provided brochures and had a booth at the fair, which arguably benefitted customers.~~

Line	Recipient	Electric Allocation (\$)	Description	Ameren Ex. 24.2 (Rev.) line #
1	Arcola Chamber of Commerce	150	Broom Corn Festival	3
2	Heart of Illinois Fair	3,000	Family Fun Zone	9
3	Pinckneyville Chamber	600	Mardi-gras	13
4	Washington Chamber	350	Cherry Festival	19
5	Lincoln Logan County	600	Lincoln Art and Balloon Festival	23
6	Murphysboro	600	Apple Festival	25
7	TOTAL DISALLOWANCE	5,300		

**Exception 8: ALJPO SECTION VI. B.7, “Advertising and Public Relations,” Subsection e, “Commission Conclusion” (ALJPO 90-95) should be modified as follows, as discussed in Section II.I of the accompanying Brief on Exceptions:**

**7. Advertising and Public Relations Expense**

**e. Commission Conclusion**

After reviewing the evidence and considering the parties’ arguments on the various adjustments proposed to AIC’s advertising and public relations expenditures, the Commission finds that Staff and AG/CUB’s proposed adjustments lack sufficient analysis and support for the Commission to adopt them. The manifest weight of the evidence in the record supports the recovery of the expenditures in formula rates as actual costs of delivery service that are prudently incurred and reasonable in amount.

Regarding the Account 909 Simantel charge at issue (\$4,125), AIC details the reasons why the charge should be recovered in rates as prudent and reasonable. A review of the record indicates Staff remains satisfied the information provided in discovery supports recovery of the expense. Although the AG and CUB did not separately brief this expense, the amount is included in AG/CUB witness Mr. Brosch’s overall adjustment. As a result, the amount remains contested. The Commission finds the record evidence, including the subject matter of the services, supports recovery of this particular Simantel expense.

Regarding the Account 930.2 Simantel charges identified by AIC in discovery as potentially comparable to charges disallowed in Docket 12-0293, AIC says that it has self-removed the potentially comparable Simantel charges that did not relate to AIC electric delivery service or otherwise did not benefit AIC customers. AIC represents that the information contained in Ameren Exhibit 24.3 (Rev.) and 24.6 (Rev.) provides a basis for recovery of the other costs, as prudently incurred, reasonable in amount and related to electric delivery service. AIC contends that Staff and the AG/CUB’s adjustments lack the critical analysis necessary to support a disallowance. AIC concludes that the Commission cannot defer to Staff and the AG/CUB’s branding of these costs as unnecessary. AIC appeals to the Commission to adopt AIC’s self-disallowance and decline to adopt the proposed disallowances advocated by Staff and AG/CUB.

The Commission finds the manifest weight of the evidence in the record supports AIC’s position. The invoiced amounts AIC removed for corporate holiday cards and other Ameren affiliate marketing should not be included in AIC’s electric delivery rates. The remaining amounts initially identified by AIC in discovery as potentially comparable, however, are recoverable through AIC’s electric formula rate. The evidence submitted by AIC demonstrates the expenses were prudently incurred, reasonable in amount, and reasonably related to AIC’s delivery service. The Commission does not find that Staff has adequately explained and defended the specific disallowances it proposes. The Commission further finds that AG/CUB failed to identify specific objections to particular

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expenses; that deficiency alone makes their proposed adjustment unable to be adopted. The Commission appreciates supporting detail AIC has provided in this proceeding in support of their cost recovery, and encourages the parties in future proceedings to focus on whether communication costs – including communication costs allocated from a corporate parent – are reasonable and prudent costs AIC incurs in connection with the delivery service it provides.

Regarding the AG/CUB disallowance to exclude 50% of the remaining Simantel charges in Account 930.2 not identified as potentially comparable, AIC posits that to the extent detailed information on invoiced costs is provided at the invoice level, as was the case here, parties to the formula rate proceeding and the Commission should undertake a line-by-line review to identify specific concerns with particular expenses. AIC says that would include reviewing the invoices provided and other discovery to test whether specific amounts billed are reasonable, whether the underlying job request was a prudent expenditure, and whether the services and work product provided reasonably relate to electric delivery service. AIC represents that is the type of review it undertook in responding to Staff discovery and AG discovery on Simantel charges, which led AIC to self-disallow certain amounts. AIC continues that is the type of review Staff undertook in reviewing the potentially “comparable” Simantel charges. AIC argues this is the type of review Mr. Brosch should have and could have undertaken in this proceeding to support his larger Simantel disallowance. AIC notes that is the type of review Mr. Brosch did undertake for other vendors like Karen Foss LLC that provided communication services. AIC contends that absent that sort of detailed review however, it is not appropriate for the Commission to make adjustments to remove expenses based on general disallowance factors that do not have a basis in the record. AIC concludes that the AG’s 50% disallowance of other Simantel charges should be rejected.

The Commission agrees with AIC that the adjustment proposed by AG/CUB to remove additional Simantel expenses is based upon a general disallowance factor. The Commission finds the use of a general disallowance factor is not appropriate, especially in instances where detailed invoice support was provided by the utility. In prior formula rate proceedings, the Commission has required parties to propose disallowances that were tied to specific objections for particular expenses. The Commission recognizes the burden this imposed on Staff and Intervenor; however, in this instance, AIC provided the AG and CUB with detailed worksheets and backup invoices that could have provided the basis for a narrowly tailored disallowance. Since the proposal advocated by AG/CUB is not narrowly tailored or tied to specific objectionable expenses, the Commission declines to adopt it.

Regarding the other Account 930.2 disallowances for three specific vendor invoices (Karen Foss LLC, Obata Design, Inc., and St. Louis Business Journal) that AG/CUB claim are nothing more than corporate “image” campaigns, as AIC explains, there is no evidence in the record to suggest these expenses were part of a deliberate exercise to enhance AIC’s reputation with the public. These expenses paid for media and communications training for AMS and AIC executives (Karen Foss LLC). They paid

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for a qualified vendor to produce the Corporate Social Responsibility (CSR) report (Obata Design, Inc.). And they paid for a sponsorship of a women's conference that provided opportunities to advertise and leadership training and skills to personnel (St. Louis Business Journal). These invoices constitute expenses, which AIC incurred in executing prudent business decisions, and which no other party has claimed are unreasonable in amount.

The AG claims it is “apparent” the Karen Foss LLC media training was “intended to enhance [AIC’s] image in the media.” But the AG has not offered any evidence of intention in AIC’s testimony or data responses to support that assertion. Indeed, quite the opposite is true: AIC witness Mr. Kennedy, one of the employees who actually attended the training, indicated the purpose of the training was to learn how to address sensitive subjects regarding service and frame messages to accurately and quickly educate customers. The AG also claims documents on social responsibility “clearly” fall within the definition of goodwill. But again AIC has not explained why this is so. On the other hand, AIC has testified that independent studies confirm customers want to hear about the actions regulated utilities are taking to minimize the environmental impact of their services, including their delivery services. This shows the purpose of the report was to educate customers on the utility’s efforts to reduce its environmental footprint. The AG lastly contends AIC’s allocated share of the sponsorship of the St. Louis Business Journal Women’s Conference constituted “corporate image or goodwill advertising.” This assertion fails to deliver an explanation why the sponsored event makes the related cost automatically goodwill. And it ignores the evidence in the record, including AIC’s response to the AG’s discovery request, that indicates the event provided AIC with an opportunity to display information on energy efficiency programs, as well as leadership training.

The AG asks the Commission to believe AIC incurred these expenses for the intended purpose of image enhancement. But the Commission cannot base its findings on mere beliefs. They have to be based on facts, and sufficient facts have not been offered in the record to show the purpose or design of these expenses was to promote AIC’s image. The Commission declines to adopt AG/CUB’s adjustment to remove costs for specific invoices for Karen Foss LLC, Obata Design, Inc. and St. Louis Business Journal.

~~Those opposing recovery of certain advertising and public relations expenditures to Simantel and others raise valid concerns about the nature and purpose of the spending. After reviewing the evidence and considering the parties' arguments, the Commission finds that several of the expenses at issue, including many listed in Ameren Ex. 24.6(Rev.), should not be recovered from customers. Before delving into specifics, however, the Commission must comment on AIC's statements concerning the nature of the Commission's review. As Staff points out, AIC suggests that recovery of an advertising or public relations expense depends on prudence, the reasonableness of the amount, and a *relation to delivery services*. AIC does not seem to believe that necessity is an appropriate consideration. Such a view disturbs the Commission because any AIC expense is arguably *related to delivery services* in some way. A~~



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~~media buy extolling the virtues of AIC's distribution system is obviously *related to delivery services*, but is clearly not appropriate for cost recovery from customers since there is no need to advertise AIC's distribution system because customers have no choice for energy delivery. If an expense is necessary, however, the outcome may be different. Advertising informing customers what telephone number to call before digging near buried electric lines or how to take advantage of energy efficiency offerings is related to delivery services and necessary for safety reasons in the former example and to comply with statutorily mandated efficiency goals in the latter example. To disregard the necessity of an expense contradicts longstanding Commission practice and deep rooted protections in the Act. Nothing in the EIMA is intended to erase those protections and permit the recovery of expenses simply because they are "related" to delivery services.~~

~~—— The first contested expenditure is for \$4,125 recorded in Account 909 for Simantel's services on an ActOnEnergy workshop for contractors and employees on AIC's Energy Efficiency Team. The AG, with the support of CUB, contends that this expense should be disallowed because it is similar to expenses disallowed in Docket No. 12-0293 and because it is more appropriately recovered through AIC's Rider EDR. AIC argues that this is a routine and reasonable expense and that the Rider EDR connection was raised too late in this proceeding for it to be considered. Section 8-103 clearly requires the energy efficiency plans and provides for cost recovery through an automatic adjustment clause, such as Rider EDR. Without ruling on the ultimate recovery of the expense, the Commission finds that the recoverability of the expense should be addressed in a proceeding concerning Rider EDR. As such, this expense will not be allowed for purposes of this proceeding.~~

~~—— The next group of contested expenses concern payments to Simental recorded in Account 930.2, some of which are similar to expenses disallowed in Docket No. 12-0293 and some of which are not. The portion of such expenses allocated to electric distribution amounts to \$743,635. The specific expenses can be found in Ameren Ex. 24.6(Rev.). Of this amount, AIC has agreed to disallow a total of \$9,182 concerning logo changes for Ameren Energy Marketing and corporate Christmas card design.~~

~~—— Of the expenses which are not similar to those disallowed in Docket No. 12-0293, the AG recommends disallowing 50% without discussing individual expenses. The Commission is aware of the resources it would require to address each expense in Ameren Ex. 24.6(Rev.), and therefore understands why the AG would take the approach of simply disallowing half of the expenses. But in the absence of a sample analysis, the Commission is hesitant to simply disallow 50% of the expenses as the AG suggests. In the alternative, the Commission will do its best to consider the expenses in the time available.~~

~~—— Some of the remaining expenses concern Ameren's FEFL campaign. In Docket No. 12-0293, the Commission found that the FEFL campaign is a corporate wide effort to improve Ameren's name recognition and corporate image and as such the expenses associated therewith were not recoverable from customers. (Docket No. 12-0293, Order~~

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~~at 64) Nothing has changed the Commission's view of the FEFL campaign. Accordingly, the 2012 Simantel expenditures for the FEFL campaign shall not be recovered from customers. Such expenses may be found on lines 1 through 7, 32, and 97 of Ameren Ex. 24.6(Rev.) and total \$47,846.~~

~~—— The expenses listed at lines 8 and 116 of Ameren Ex. 24.6(Rev.) apparently reflect other ActOnEnergy expenditures. As discussed above, the recoverability of such expenses should be considered under Rider EDR. Accordingly, the \$8,556 at lines 8 and 116, collectively, will be disallowed for purposes of this proceeding.~~

~~—— Lines 9 and 10 of Ameren Ex. 24.6(Rev.) pertain to expenses for redesigning logos for internal employee groups. Why this was necessary and what it has to do with delivery services is unknown. The \$6,143 paid to Simantel for this effort is disallowed. Similarly, the relation to delivery services and the expenses at lines 33-35 is not clear. The corresponding amount of \$15,902 is therefore disallowed as well.~~

~~—— Lines 13 through 15 of Ameren Ex. 24.6(Rev.) relate to electricity generation and as such should not be recovered from delivery service customers. The related expenditures of \$10,123 are disallowed.~~

~~—— Lines 16 through 18 and 20 through 29 of Ameren Ex. 24.6(Rev.) concern presentations about economic development. Why expenses associated with speeches by Thomas Voss, the Ameren President and Chief Executive Officer, and advertisements touting Ameren's promotion of economic development should be recovered from captive delivery service customers is not clear to the Commission. Ameren and AIC have no need to advertise delivery services and AIC is already obligated by the Act to provide reliable service. The EIMA obligates AIC to upgrade its distribution system and customer concerns about economic development can not influence that obligation. Therefore, the Commission concurs with the AG that such efforts are promotional and/or goodwill in nature and will disallow the associated \$37,556 paid to Simantel.~~

~~—— Lines 38 through 43 appear to concern Simantel's efforts to prepare Ameren's 2011 "annual report" for its "annual meeting," including Mr. Voss' letter and speech. The Commission understands this to be Ameren's annual meeting with its shareholders. Why 60.61% of these expenses should be allocated to electric delivery service customers and the remaining to gas customers and none to other affiliates is not clear. The Commission recognizes that electric delivery service customers should bear some of this expense, but in the absence of any justification for the allocation utilized by AIC, the Commission can not support it. Rather than allocate 60.61%, the Commission will permit recovery from electric delivery customers of 25%. This is admittedly an arbitrary determination, but no more so than AIC's use of 60.61% for a corporate wide expense. Accordingly, the Commission disallows \$5,826 (or 75% of \$7,768).~~

~~—— Another group of expenses inappropriate for recovery from delivery services customers appears at lines 83 through 87, 147, and 156 of Ameren Ex. 24.6(Rev.) and~~

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~~relate to Ameren's "Point of View 2012" report. This report has been marked as Attachment 7 to AIC AG Group Cross Ex. 1. At page 4 of the report, Mr. Voss states that the purpose of the report is "to build a foundation for strategic planning efforts. In it, we discuss our viewpoints around 10 planning areas of critical importance to our business: The Economy, Technology, Climate & Environmental Policy, The Future of Coal, Natural Gas, Power Prices, Nuclear, Renewable Energy, Transmission, [and] Customer of the Future." The report contains only limited discussion of delivery service matters. As the AG suggests, this document also fits within the statutory definition of "good will advertising" as "designed primarily to bring the utility's name before the general public in such a way as to improve the image of the utility or to promote controversial issues for the utility or the industry." Therefore, the Commission can not discern why delivery service customers should pay \$45,573 to prepare this report and will disallow this amount.~~

~~Lines 100 through 108 of Ameren Ex. 24.6(Rev.) represent another group of questionable expenses. These lines concern \$37,458 spent to "conduct media training for managers in new positions with duties to interact on camera with media." There is no indication that these managers worked with delivery services. Nor is there any indication that this training was not anything more than an effort to improve Ameren's image in the public. Accordingly, this amount is disallowed.~~

~~AIC also paid Simantel a large sum to "develop a plan for creative design and execution of educational messaging throughout the GOB." These expenses appear at lines 73, 75 through 79, 81, and 82 of Ameren Ex. 24.6(Rev.) under the description of "(Corp) Environmental Conditioning." Services rendered include "copy writing, design of collateral including posters; atrium, street and threshold banners; conference room, cafeteria and customer service area displays, and elevator graphics." How or what delivery services customers gained from AIC's payment of \$80,154 for these "(Corp) Environmental Conditioning" services is not known. Therefore, the Commission can not justify recovery of this amount from delivery services customers.~~

~~Several other Simantel expense descriptions on Ameren Ex. 24.6(Rev.) suffer from the same ambiguity and/or questionable expense justification. In light of limited time available, only certain examples will be listed. Line 49 lists a total payment to Simantel of \$2,405 to "Create design for Ameren Volunteer T-shirt." Lines 50, 51, and 59, reflect a total of \$2,898 to design a logo. Lines 52, 55, and 134 show that AIC paid Simantel a total of \$1,140 to write a letter on behalf of executive management to United Way. Line 56 reflects a total payment of \$34,995 to Simantel to "Develop a photo library to be used in internal educational messages." Line 58 shows a total of \$3,595 for designing Twitter graphics for AIC and Ameren Twitter accounts. Lines 92 and 93 list total payments of \$5,511 for a "Corporate Positioning Matrix." Lines 115, 118, 120, 123, 129, 135, 139, 143, 146, and 154 lists a total payment of \$55,936 for "Account Management." Although they are not linked to specific lines on Ameren Ex. 24.6(Rev.), Attachments 5 and 6 to AIC AG Group Cross Ex. 1 are also Simantel work products that should be covered by the entries on Ameren Ex. 24.6(Rev.). Attachments 5 and 6 are multi-page documents prepared for Ameren with major focus on generation challenges.~~

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~~The AG points out that Attachment 5 has 22 pages, but only 3 refer to Illinois delivery service (pages 14, 17, 18), and that Attachment 6 has 31 pages, but only one addresses Illinois (page 25). In light of the questionable and ambiguous work descriptions and weak link to delivery services, the Commission finds itself struggling to permit recovery of many of these expenses from delivery services customers.~~

~~Other expenses on Ameren Ex. 24.6(Rev.) pertain to various media and advertising efforts. The work description for most of the media and advertising efforts fails to identify the media market. Only some of the work descriptions identify the advertisements as being for electric service. The one radio station identified is KWMU, the St. Louis National Public Radio affiliate. When considered in conjunction with Attachments 3 and 4 to AIC AG Group Cross Ex. 1, it appears that many of these media buys may be for the Missouri market. In addition, there is no indication whether any of the values on Ameren Ex. 24.6(Rev.) already reflect the removal any Missouri or gas portions from the Simantel costs. Under these circumstances, it is difficult for the Commission to allow AIC to recover from Illinois delivery services customers any of the ambiguous media and advertising costs on Ameren Ex. 24.6(Rev.).~~

~~The expenses disallowed under the two prior paragraphs are found at lines 44 through 53, 55 through 60, 74, 88, 94 through 96, 99, 111, 113, 114, 118 through 124, 126, 128 through 131, 133 through 135, 137 through 141, 143 through 146, 148 through 155, 157, and 158. The total disallowed amount apportioned to electric delivery service customers equals \$248,363. Perhaps had AIC provided more information on these expenses, it would not face this disallowance.~~

~~The nature of the described work by Simantel in conjunction with the amount billed also raise the proverbial eyebrow. Nearly \$2,400 to create a design for a T-shirt (line 49 of Ameren Ex. 24.6(Rev.)), almost \$35,000 for a collection of photos for internal use (line 56), nearly \$3,600 for Twitter graphics (line 58), and over \$1,100 to write a letter (lines 52, 55, and 134) compels the Commission to ponder the reasonableness of the amount charged. These and other charges lead one to ponder whether Ameren simply pays whatever Simantel charges. The logical extension of this inquiry is whether Ameren seeks out the lowest cost provider for any service or material if it knows that it can simply pass the cost along to captive customers. AIC should address this concern in its next formula rate update filing.~~

~~The AG also expresses concerns over \$15,202 in costs recorded in Account 930.2 associated with AIC's participation in the "8th Annual St. Louis Business Journal Women's Conference." The AG recommends removing the electric jurisdictional portion, \$13,995, from AIC's expenses because Ameren's participation in the event was unrelated to electric delivery service and constituted corporate image or goodwill advertising. The Commission shares the AG's concerns and notes that the Ameren speaker at the event was not an AIC employee but rather Maureen Borkowski, President and Chief Executive Officer of Ameren Transmission Company of Illinois and her talk was entitled: "A View From The Boardroom: How Great Leaders Lead." The schedule of events does not show any utility related events or topics. In addition, while~~

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~~AIC listed this as a separate charge on its FERC Form 1 report of Public Relations Expense (page 335, line 13), the same event/amount appears as a Simantel charge to AIC at line 98 of Ameren Ex. 24.6(Rev.). The electric portion of the Simantel charge amounts to \$9,244. AIC's arguments in support of recovering this charge from electric delivery customers do not overcome the AG's arguments and the Commission's concerns. Since it appears that this amount is recorded twice, adjustments for \$13,995 and \$9,244 shall both be adopted.~~

~~With regard to the AG's recommended adjustment concerning Obata's charge for development of Ameren's CSR Report, the Commission concurs with the AG and finds that the CSR Report falls within the Act's definition of "goodwill or institutional advertising." As such, the cost associated with the CSR Report should not be recovered from electric delivery service customers. The Commission therefore disallows the \$5,989 charged by Obata.~~

~~The AG requests that the Commission disallow \$42,015 in AIC electric jurisdictional expenses representing payments for media image management and enhancement by Karen Foss. The Commission concurs that the training at issue was intended to enhance Ameren's image in the media. Image advertising and public relations are not ordinarily recoverable costs under Section 9-225(1) and (2). In addition, a review of AG Ex. 3.2 indicates that some of the recipients of her training were not even involved in electric delivery services. While names have been redacted, job titles have not. Some of the job titles include "Director of Transmission Business Development," "Sr Director Investor Relations," "President ATX," and "President AER." The extent to which other managers who received media training are involved with electric delivery services is not known. Accordingly, for the reasons argued by the AG, the Commission adopts the AG's adjustment concerning Ms. Foss.~~

**Technical Corrections:**

Technical Correction No. 1 (ALJPO 153):

- (13) AIC should be authorized to place into effect the Rate MAP-P tariff informational sheets designed to produce annual base rate electric delivery service revenues of \$721,340,000, which represents a decrease of ~~\$84,199,666~~ \$43,170,000 or ~~10.45%~~ 5.65%; such revenues, in addition to other tariffed revenues, will provide AIC with an opportunity to earn the rates of return set forth in Findings (7) and (8) above; based on the record in this proceeding, this return is consistent with Public Acts 97-0616, 97-0646, and 98-0015;

Technical Correction No. 2 (ALJPO 46):

AIC regularly incurs relocation expenses in support of electric delivery service. These are charges (and related credits) for reimbursement benefits provided to eligible new hires or internal transfers. In 2012, AIC charged roughly \$567,000 in relocation expense to Account 588, Miscellaneous Distribution Expenses. Staff does not contest AIC's ability to recover this type of expense in general. Nor does Staff contest the bulk of the 2012 relocation expenses charged to Account 588. Staff seeks to remove only a portion, approximately \$78,000, from the revenue requirement. AIC has removed part of this amount (approximately \$25,000) because the costs should have been charged to AIC's gas operations. The remaining costs at issue (~~\$53,000~~) \$43,166, are amounts paid for a "loss on sale" benefit—compensation provided to eligible new hires or internal transfers if they have to sell (or believe they will have to sell) their residences for less than the initial purchase price to accept or remain at the position offered. Staff questions whether it is reasonable for ratepayers to cover the loss on property sales.

Technical Correction No. 3 (ALJPO 77):

Line	Recipient	Electric Allocation (\$)	Description	Ameren Ex. 24.1 (Rev.) line #
1	Beardstown Chamber of Commerce	100	Halloween candy	3
2	Belleville East High School	<del>400</del> <u>300</u>	Hockey team Thanksgiving 5K run	6
3	City of Hillsboro	1,200	Payment 5 of 5 Lighting at sports complex	26
4	City of Peoria	1,260	State of the City Luncheon and speaker sponsorship	28
5	Greater Belleville Chamber of Commerce	60	UNCLEAR - listed as "Newsletter" and "Coworkers attendance"	55
6	Greater Decatur Chamber of Commerce	4,308	Thanksgiving luncheon sponsorship	57
7	Illinois Central College	1,500	Cougar Plex 2nd installment sponsorship	65

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8	Illinois High School Association	<del>22,700</del> <u>23,700</u>	March Madness Experience sponsorship and banquet	69
9	Lincoln Trail College	60	Donation to support the "E" and reference to candy	83
10	Lincoln Trail College	30	UNCLEAR - listed as "Donation to the Crawford Coun" and "Triathlon for Kids"	84
11	Mattoon High School	75	"Project Graduation"	86
12	Mattoon Lightworks	300	Contribution for Lightworks	88
13	Pekin Area Chamber of Commerce	150	Fireworks celebration	114
14	Pekin Park District	300	Band concert	116
15	Peoria Area Chamber of Commerce	1,860	Community Thanksgiving luncheon	118
16	Peoria Area Community Events	600	Santa Claus parade Under the Sea Float	121
17	Peoria Area Community Events	126	Yule like Peoria pole decoration	122
18	Southwestern Illinois Employers Association	900	Annual meeting	147
19	Taylorville Optimist Club	1,200	Tournament sponsorship	153
20	Tazewell Columbus Club	576	Punkin Chuckin sponsorship	155
<u>21</u>	<u>AIC Self-Disallowance</u>	<u>2,496</u>		<u>155</u>
<u>24</u>	<u>TOTAL DISALLOWANCES</u>	<u>37,405</u>		
<u>22</u>		<u>41,101</u>		
<u>23</u>	<u>TOTAL ADJUSTMENT</u> <u>(Line 22) multiplied by</u> <u>jurisdictional allocator 92.06%</u>	<u>37,838</u>		

### Technical Correction No. 4 (ALJPO 91-95):

Lines 38 through 43 appear to concern Simantel's efforts to prepare Ameren's 2011 "annual report" for its "annual meeting," including Mr. Voss' letter and speech. The Commission understands this to be Ameren's annual meeting with its shareholders. Why 60.61% of these expenses should be allocated to electric delivery service customers and the remaining to gas customers and none to other affiliates is not clear. The Commission recognizes that electric delivery service customers should bear some of this expense, but in the absence of any justification for the allocation utilized by AIC, the Commission can not support it. Rather than allocate 60.61%, the Commission will permit recovery from electric delivery customers of 25%. This is admittedly an arbitrary determination, but no more so than AIC's use of 60.61% for a corporate wide expense. Accordingly, the Commission disallows ~~\$5,826~~ \$5,363 (or the jurisdictional allocation of 75% of \$7,768).

Another group of expenses inappropriate for recovery from delivery services customers appears at lines 83 through 87, 147, and 156 of Ameren Ex. 24.6(Rev.) and relate to Ameren's "Point of View 2012" report. This report has been marked as Attachment 7 to AIC-AG Group Cross Ex. 1. At page 4 of the report, Mr. Voss states that the purpose of the report is "to build a foundation for strategic planning efforts. In it, we discuss our viewpoints around 10 planning areas of critical importance to our

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business: The Economy, Technology, Climate & Environmental Policy, The Future of Coal, Natural Gas, Power Prices, Nuclear, Renewable Energy, Transmission, [and] Customer of the Future." The report contains only limited discussion of delivery service matters. As the AG suggests, this document also fits within the statutory definition of "good will advertising" as "designed primarily to bring the utility's name before the general public in such a way as to improve the image of the utility or to promote controversial issues for the utility or the industry." Therefore, the Commission can not discern why delivery service customers should pay \$45,573 to prepare this report and will disallow the jurisdictional allocation of this amount.

Lines 100 through 108 of Ameren Ex. 24.6(Rev.) represent another group of questionable expenses. These lines concern \$37,458 spent to "conduct media training for managers in new positions with duties to interact on camera with media." There is no indication that these managers worked with delivery services. Nor is there any indication that this training was not anything more than an effort to improve Ameren's image in the public. Accordingly, the jurisdictional allocation of this amount is disallowed.

\* \* \*

The expenses disallowed under the two prior paragraphs are found at lines 44 through 53, 55 through 60, 74, 88, 92, 94 through 96, 99, 111, 113, 114, 115, 118 through 124, 126, 128 through 131, 133 through 135, 137 through 141, 143 through 146, 148 through 155, 157, and 158. The total disallowed amount apportioned to electric delivery service customers equals ~~\$248,363~~ \$228,643. Perhaps had AIC provided more information on these expenses, it would not face this disallowance.

\* \* \*

The AG also expresses concerns over \$15,202 in costs recorded in Account 930.2 associated with AIC's participation in the "8th Annual St. Louis Business Journal Women's Conference." The AG recommends removing the electric jurisdictional portion, \$13,995, from AIC's expenses because Ameren's participation in the event was unrelated to electric delivery service and constituted corporate image or goodwill advertising. The Commission shares the AG's concerns and notes that the Ameren speaker at the event was not an AIC employee but rather Maureen Borkowski, President and Chief Executive Officer of Ameren Transmission Company of Illinois and her talk was entitled: "A View From The Boardroom: How Great Leaders Lead." The schedule of events does not show any utility related events or topics. In addition, while AIC listed this as a separate charge on its FERC Form 1 report of Public Relations Expense (page 335, line 13), the same event/amount appears as a Simantel charge to AIC at line 98 of Ameren Ex. 24.6(Rev.). The electric portion of the Simantel charge amounts to ~~\$9,244~~ \$8,510. AIC's arguments in support of recovering this charge from electric delivery customers do not overcome the AG's arguments and the concerns. Since it appears that this amount is recorded twice, adjustments for \$13,995 and ~~\$9,244~~ 8,510 shall both be adopted.



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### Technical Correction No. 7 (ALJPO 4):

In Docket No. 12-0293, the Commission approved a net revenue requirement of ~~\$805,540,000~~ \$764,510,000. As noted above, this proceeding includes the reconciliation of revenues and costs for 2012.

### Technical Correction No. 8 (ALJPO 4):

Excluding the 2012 reconciliation component and the collar adjustment, AIC is requesting a revenue requirement for the filing year of ~~\$782,303,000~~ \$798,236,000. When the 2012 reconciliation component and the collar adjustment are included, AIC's requested revenue requirement is ~~\$725,683,000~~ \$743,132,000. Overall, AIC's proposed update to its formula rate delivery service revenue requirement results in a decrease of ~~\$79,857,000~~ \$21,380,000 from the electric revenue requirement ordered by the Commission in Docket No. 12-0293. AIC's calculations use a rate of return of 8.11% for the filing year and 8.16% for the reconciliation year.

### Technical Correction No. 9 (ALJPO 39):

The Commission has considered the costs expended by AIC to compensate attorneys and technical experts to prepare and litigate this rate case proceeding. In the absence of contrary arguments and additional resources, the Commission finds that the amount included as rate case expense in the revenue requirement of ~~\$1,261,000~~ \$1,210,000 is just and reasonable pursuant to Section 9-229 of the Act. This amount includes the following costs: ~~\$492,000~~ \$462,000 amortized rate case expense associated with the initial formula rate proceeding, Docket No. 12-0001, and ~~\$769,000~~ \$748,000 associated with Docket No. 12-0293.